

**SCHOOL DISTRICT
OF
ELMER BOROUGH**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Elmer Borough Board of Education

Salem, New Jersey

For the Fiscal Year Ended June 30, 2017

**COMPREHENSIVE ANNUAL
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For the Fiscal Year Ended June 30, 2017

Prepared by

Elmer Borough Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE ELMER BOROUGH BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION

ELMER BOROUGH BOARD OF EDUCATION

~ Administration Office ~

1076 Almond Road

Pittsgrove, New Jersey 08318-3950

(856) 358-3094

Fax: (856) 358-6020

Henry Bermann

Superintendent of Schools

October 10, 2017

Honorable President and
Members of the Board of Education
Elmer Borough School District
Elmer, New Jersey 08318

Dear Board Members:

The comprehensive annual financial report of the Elmer Borough School District for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Elmer Borough School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds of the District are included in this report. The Elmer Borough Board of Education and its school constitute the District's reporting entity.

As of July 1, 2010, the District commenced in a full sending/receiving relationship with the Pittsgrove Township School District. The Elmer Borough School District will operate as a non-operating school district. As required by law, it shall maintain a board of education, a board secretary's office and a budget for its expenditures including board operations, tuition, transportation, insurance and any other needs.

Enrollment Data

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-17	N/A	N/A
2015-16	N/A	N/A
2014-15	N/A	N/A
2013-14	N/A	N/A
2012-13	N/A	N/A
2011-12	95	13.09%
2010-11	84	10.5%
2009-10	76	(6.2)%
2008-09	81	(4.7)%
2007-08	85	10.4%
2006-07	77	1.32%
2005-06	76	(39.20)%

2. MAJOR INITIATIVES:

The Elmer Borough School District was committed to providing its students with the best educational opportunities available within its resources. With the implementation in 2010-11 of the full send/receive agreement with Pittsgrove Board of Education, all students from both Pittsgrove and Elmer attend school together from preschool through twelfth grade. Since the 2010-2011 school year Elmer School housed students in grades one and two from both communities. Olivet School houses grades three, four and five and the Middle School houses grades six, seven, and eight making it a true middle school. All three elementary schools are at their functional capacity.

3. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control process designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control process is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state financial assistance, the District also is responsible for ensuring that an adequate internal control process is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control process is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control process, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

4. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

5. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 2.

6. DEBT ADMINISTRATION:

At June 30, 2017, the District had no outstanding debt other than \$2,876,161 in New Jersey District Fiscal Accountability Act Loans and \$977,617 in Short-term Tax Anticipation Loans. The available bonded debt limit, as of June 30, 2017 was \$2,615,614.

7. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9. ECONOMIC CONDITION AND OUTLOOK:

The Elmer Borough area is a rural community of Salem County and presently is not experiencing any significant development or expansion in the future. The tax base continues to remain constant due to this lack of economic development and limited population growth. This unfortunately has begun to reflect negatively in our current tuition cost, especially in the area of special education. Due to the restricted revenues received from state aid and the limited increases allowed from local tax levy, the 2010-11 school year marked a full send/receive agreement with Pittsgrove Board of Education. The Elmer School was leased by the Pittsgrove Board of Education for use by both Districts in the education process through June 30, 2017.

10. FOR THE FUTURE:

In 2010-11 the Elmer Board of Education entered into a full send/receive agreement with the Pittsgrove Township Board of Education, with the Elmer school being leased by the Pittsgrove Township Board of Education for use by both Districts in the education process. Due to the restriction in raising taxes, the Elmer Board of Education lacked sufficient revenue sources to support the cost of educating the students in the Borough of Elmer and has relied on Advanced State Aid loans from the state to balance their budget. As of July 1, 2017, the Elmer Board of Education has been merged with the Pittsgrove Board of Education and Elmer Borough children will be educated in the Pittsgrove school district.

11. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nightlinger, Colavita and Volpa, Pa. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Elmer Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the public school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



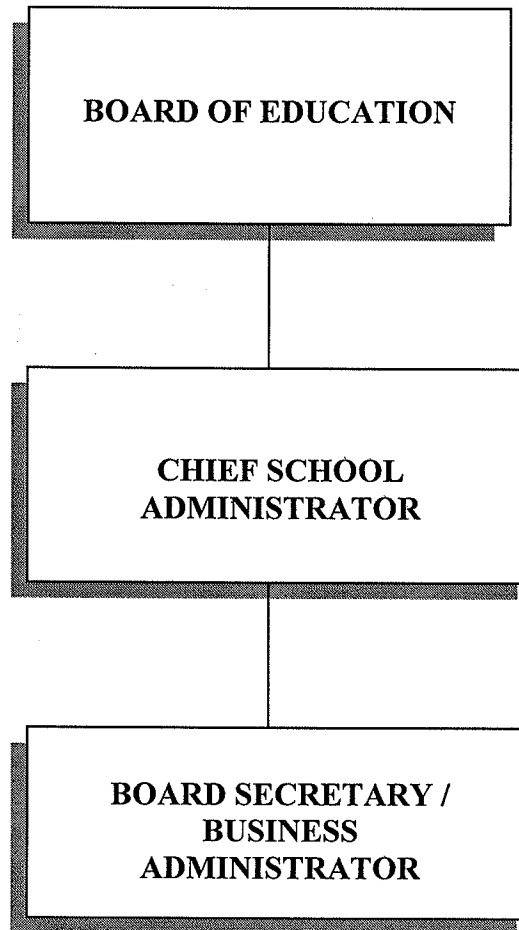
Henry Bermann, Superintendent
School Business Administrator/Board Secretary

ELMER TOWNSHIP BOARD OF EDUCATION

Pittsgrove, New Jersey

ORGANIZATIONAL CHART

(UNIT CONTROL)



ELMER BOROUGH SCHOOL DISTRICT
ELMER, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2017

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Denzil Hardman, President	2018
Stephen Slavoff, Vice President	2017
Melissa Williams	2018
Roger Anderson	2017
Samuel F. Wheaton, IV	2017
<u>OTHER OFFICIALS</u>	<u>SURETY BONDS</u>
Henry Bermann, Superintendent	10,000
Henry Bermann, Business Administrator/Board Secretary	10,000
Cynthia Strang, Treasurer	150,000
Jane Capasso, Esquire, Solicitor	

ELMER BOROUGH BOARD OF EDUCATION
CONSULTANTS AND ADVISORS

AUDIT FIRM

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa, P. A.
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

ATTORNEY

Jane Capasso, Esquire
Lipman, Antonelli, Batt, Gilson, Malestein, Rothman and Capasso, P.C.
110 North Sixth Street
P.O. Box 280
Vineland, NJ 08360

OFFICIAL DEPOSITORY

First National Bank of Elmer
Main Street
Elmer, NJ 08318

INSURANCE AGENCY

Conner Strong & Buckelew Companies, Inc.
123 Rosenhayn Avenue
P.O. Box 358
Bridgeton, NJ 08302

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Elmer Borough School District
County of Salem, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Education of the Elmer Borough School District in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Elmer Borough School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmer Borough Board of Education in the County of Salem, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Restatement

During the fiscal year ended June 30, 2017, the statement of revenues, expenditures, and changes in fund balances was restated, as a result of the School District reclassifying the NJ Fiscal Accountability Loan in the amount of \$1,909,833 as a loan payable, for the year ended June 30, 2017. This matter is discussed in Note 18 to the financial statement. Our opinion is not modified with respect to this matter.

Going Concern

As discussed in Note 19 to the financial statements, the Elmer School District was merged with the Pittsgrove Board of Education, as of July, 1 2017, whereby the Elmer students will be educated by Pittsgrove Schools. The Elmer school building will be given in exchange for the balance due to the State of New Jersey. This merger raises substantial doubt about the district's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to accounting and reporting for pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elmer Borough School Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2017 on our consideration of the Elmer Borough Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering Elmer Borough Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

October 10, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

ELMER BOROUGH BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

The discussion and analysis of Elmer Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- ❖ General revenues accounted for \$3,724,322 in revenue or 98.4% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$60,960 or 1.6% to total revenues of \$3,785,282.
- ❖ Total net position of governmental activities decreased by \$395,222 from the previous year.
- ❖ The School District had \$4,180,504 in expenses, of which \$60,960 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$3,724,322 were not adequate to provide for these programs.
- ❖ The General Fund had \$3,724,322 in revenues and \$4,194,298 in expenses. The General Fund balance decreased \$469,976 over 2016. This decrease was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Elmer Borough School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Elmer Borough School District, the General Fund is the most significant fund.

Reporting the School District as a Whole Statement of Net Position and the Statement of Activities

While this document contains all funds used by the School District to provide programs and activities, the district looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the school district as a whole, the financial positions of the School district has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ❖ **Governmental Activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ **Business-type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service enterprise fund is reported as a business activity, although in a non-operating status during the year under audit.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on page 21. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore these statements are essentially the same.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a comparative summary of the School District's Net Position for the years ended in 2017 and 2016.

Table 1
Net Position

	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$ 897,101	\$ 729,440
Capital Assets, Net	211,512	136,758
Total Assets	<u>1,108,613</u>	<u>866,198</u>
Liabilities		
Long-term Liabilities	15,135	2,050,400
Other Liabilities	3,853,778	1,180,876
Total Liabilities	<u>3,868,913</u>	<u>3,231,276</u>
Net Position		
Invested in Capital Assets, Net of Debt	211,512	136,758
Unrestricted (Deficit)	(2,971,812)	(2,501,836)
Total Net Position (Deficit)	<u>\$ (2,760,300)</u>	<u>\$ (2,365,078)</u>

Table 2 shows the changes in Net Position from fiscal year's 2017 and 2016.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Programs Revenues		
Charges for Services	\$	\$
Operating Grants and Contributions	60,960	58,196
General Revenues		
Property Taxes	1,372,371	1,345,462
Grants and Entitlements	2,252,415	2,137,757
Other	99,536	107,789
	<u> </u>	<u> </u>
Total Revenues	\$ 3,785,282	\$ 3,649,204
	<u> </u>	<u> </u>
Program Expenses		
Instruction	\$ 58,918	\$ 58,196
Support Services		
Tuition	3,491,356	3,455,069
Pupils and Instructional Staff	10,351	12,016
General Administration, School		
Administration, Business	365,058	289,556
Operations and Maintenance of Facilities	15,681	7,347
Pupil Transportation	227,001	243,726
Employee Benefits		
Other - Depreciation	12,139	11,403
	<u> </u>	<u> </u>
Total Expenses	4,180,504	4,077,313
	<u> </u>	<u> </u>
Deficit in Revenues over Expenditures	\$ (395,222)	\$ (428,109)
	<u> </u>	<u> </u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. The District's total revenues were \$3,785,282 for the fiscal year ended June 30, 2017. Property taxes made up 36.3% of revenues for governmental activities for the Elmer Borough School District for fiscal year 2017. Federal, state and local grants accounted for \$2,313,375 or another 61.1% and miscellaneous revenues accounted for 2.6%. The total cost of all program and services was \$4,178,462. Instructional expenditures of \$58,918 comprise 1.4%, Tuition expense represents 83.5% and other expenditures represents 15.1% of District expenses of which \$4,119,544 represented net governmental activities.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the comparison of the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	\$ 58,918	\$ -	\$ 58,196	\$
Support Services				
Tuition	3,491,356	3,491,356	3,455,069	3,455,069
Pupils and Instructional Staff	10,351	8,309	12,016	12,016
General Administration, School				
Administration, Business	365,058	365,058	289,556	289,556
Operation and Maintenance of Facilities	15,681	15,681	7,347	7,347
Pupil Transportation	227,001	227,001	243,726	243,726
Other	12,139	12,139	11,403	11,403
Total Expenses	<u><u>\$ 4,180,504</u></u>	<u><u>\$ 4,119,544</u></u>	<u><u>\$ 4,077,313</u></u>	<u><u>\$ 4,019,117</u></u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities includes expenses related to student activities provided by the School District which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation and amortization.

Business-Type Activities

There were no revenues or expenses for the District's business-type activities. The District was non-operating during the year under audit and Child Care services were, therefore, not provided.

The School District's Funds

Information about the School District's major funds starts on page 21. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund, capital projects and debt service fund presented in the fund-based statements) had total revenues of \$3,785,282 and expenditures of \$4,255,258. The net positive/negative change in fund balance for the year was most significant in the General Fund, which had a decrease of \$469,976.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2016</u>	<u>Percent Increase/ (Decrease)</u>
Local Sources	\$ 1,473,949	39%	\$ 20,698	1%
State Sources	2,252,395	60%	114,638	5%
Federal Sources	58,938	1%	742	1%
Total	\$ 3,785,282	100%	\$ 136,078	3%

The increase in Local Sources is attributed to increases in local tax levy of \$26,909, offset by reductions in miscellaneous revenue of \$6,110 and interest revenue of \$101.

The increase in State Sources is attributable to differences in general fund state aid including the additional New Jersey Advanced State Aid totaling \$157,636, offset by a decrease in extraordinary aid of \$22,530 and other state aid of \$20,468.

The decrease in Federal Sources is attributed to decreases in grant awards of \$742.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2017.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2016</u>	<u>Percent Increase/ (Decrease)</u>
Current:				
Instruction	\$ 58,918	1%	\$ 722	1.13%
Undistributed Expenditures	4,109,447	97%	101,733	2.63%
Capital Outlay	86,893	2%	41,893	100.00%
Total	\$ 4,255,258	100%	\$ 144,348	3.67%

The decrease in Current – Instruction is attributed to a decrease in special instruction of \$722.

The increase in Current – Undistributed Expenditures is attributed to increases in tuition costs of \$36,287, general administrative services and central services of \$75,502, and plant operations and maintenance of \$8,334, offset by a decrease in student and instructional related services of \$1,665 and Transportation of \$16,725.

The increase in Capital Outlay was attributed to additional Construction Services.

General Fund Budgeting Highlights

The School District’s Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2016-17, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

- ❖ Staffing changes based on student needs.
- ❖ Additional costs for student transportation both in regular education and special education.
- ❖ Accounting changes in maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the District’s final budget for the general fund anticipated that revenues and expenditures would equal, the actual results for the year show a \$53,669 decrease in fund balance.

- ❖ Actual revenues were \$50,076 more than expected, due to miscellaneous sources of \$12,964, offset by a positive variance in unanticipated state aid of \$63,040.
- ❖ The actual expenditures were \$3,593 less than expected due to unfavorable variances in most line items of the budget.

Capital Assets

At the end of the fiscal year 2017, the School District had \$211,512 invested in land, buildings, site improvements and machinery and equipment. Table 4 shows fiscal 2017 balances compared to 2016.

Table 4
Capital Assets (Net of Depreciation) at June 30

	<u>2017</u>	<u>2016</u>
Land	\$ 20,623	\$ 20,623
Building and Improvements	170,715	91,731
Site Improvements	20,174	24,404
Totals	<u>\$ 211,512</u>	<u>\$ 136,758</u>

Overall capital assets increased by \$74,754 from fiscal year 2016 to fiscal year 2017. This increase in capital assets (primarily buildings and improvements and equipment) was comprised of \$86,893 in construction additions offset by unallocated depreciation expense of \$12,139. Previously owned equipment was transferred to the Pittsgrove Township School District in accordance with the twenty year long-term lease starting in the 2010-11 fiscal year. As of July 1, 2017, the Elmer School building was transferred to the Pittsgrove Township School District in exchange for the appraised value of \$620,000, as part of the merger agreement that provided for the cancellation of the Loan balance to the State of New Jersey.

Debt Administration

At June 30, 2017, there were two short-term loans totaling \$977,617, to provide operating cash, resulting from the timing difference in the 19th and 20th state aid payments and other receivables.

At June 30, 2017, there was also a balance of \$2,876,161 in New Jersey School District Fiscal Accountability Act Loans, of which \$370,858 was originally payable out of the 2017-2018 operating budget, with the remainder payable in future years thereafter. With the Elmer School district being merged as of July 1, 2017, with the Pittsgrove School District, the balance in the Advanced State Aid Loan Payable to the State of New Jersey of \$2,256,161 has been forgiven, with the Elmer School Building being transferred to Pittsgrove school district at an appraised value of \$620,000.

The School District's overall legal debt margin for Capital purposes was \$1,719,237, of which all was available for future projects.

For the Future

In 2010-11 the Elmer Board of Education entered into a full send/receive agreement with the Pittsgrove Township Board of Education, with the Elmer school being leased by the Pittsgrove Township Board of Education for use by both Districts in the education process. Due to the restriction in raising taxes, the Elmer Board of Education lacked sufficient revenue sources to support the cost of educating the students in the Borough of Elmer and has relied on Advanced State Aid loans from the state to balance their budget. As of July 1, 2017, the Elmer Board of Education has been merged with the Pittsgrove Board of Education and Elmer Borough children will be educated in the Pittsgrove school district.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Henry Bermann, Business Administrator, at Elmer Board of Education, 1076 Almond Road, Pittsgrove, New Jersey 08318.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District.

These statements include the financial activities of the overall District, except for fiduciary activities.

Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

ELMER BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 834,081	\$	\$ 834,081
Receivables, Net	63,020		63,020
Capital Assets, Net (Note 8)	211,512		211,512
	<hr/>	<hr/>	<hr/>
Total Assets	1,108,613		1,108,613
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current Liabilities			
Accounts Payable	15,135		15,135
Noncurrent Liabilities (Note 9):			
Due within One Year	977,617		977,617
Due beyond One Year	2,876,161		2,876,161
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,868,913		3,868,913
	<hr/>	<hr/>	<hr/>
Net Position			
Invested in Capital Assets, Net of Related Debt	211,512		211,512
Unrestricted (Deficit)	(2,971,812)		(2,971,812)
	<hr/>	<hr/>	<hr/>
Total Net Position - Deficit	\$ (2,760,300)	\$	\$ (2,760,300)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

**ELMER BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Regular	\$ 58,918		\$ 58,918	\$ -		\$ -
Support Services:						
Tuition	3,491,356			(3,491,356)		(3,491,356)
Student & Instruction Related Services	10,351		2,042	(8,309)		(8,309)
General and Business Admin Services	324,985			(324,985)		(324,985)
Central Services	40,073			(40,073)		(40,073)
Plant Operations and Maintenance	15,681			(15,681)		(15,681)
Pupil Transportation	227,001			(227,001)		(227,001)
Unallocated Depreciation	12,139			(12,139)		(12,139)
Total Governmental Activities	4,180,504		60,960	(4,119,544)		(4,119,544)
Business-Type Activities:						
Child Care						
Total Business-Type Activities						
Total Primary Government	\$4,180,504		\$ 60,960	\$ (4,119,544)		\$ (4,119,544)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 1,372,371		\$ 1,372,371
Federal and State Aid Not Restricted				2,250,373		2,250,373
Rental Income				102,500		102,500
Investment Earnings				414		414
Miscellaneous Income				706		706
Total General Revenues, Special Items, Extraordinary Items and Transfers				3,726,364		3,726,364
Change in Net Position				(393,180)		(393,180)
Net Position - Beginning (Deficit)				(2,365,078)		(2,365,078)
Net Position - Ending (Deficit)				\$ (2,758,258)		\$ (2,758,258)

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund.

GOVERNMENTAL FUNDS

ELMER BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 834,081	\$	\$ 834,081
State Aid Receivable	63,020		63,020
Total Assets	\$ 897,101	\$	\$ 897,101
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 15,135	\$	\$ 15,135
Short-term Loan Payable	977,617		977,617
State Aid Advance Loan Payable	2,876,161		2,876,161
Total Liabilities	3,868,913		3,868,913
Fund Balances:			
Unreserved:			
General Fund (Deficit)	(2,971,812)		(2,971,812)
Total Fund Balances	(2,971,812)		(2,971,812)
Total Liabilities and Fund Balances	\$ 897,101	\$	

Amounts reported for *governmental activities* in the Statement of Net Position (A-1) are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,230,671 and the accumulated depreciation is \$1,019,159 (Note 8).

	211,512
Net Position of Governmental Activities	\$ (2,760,300)

The accompanying Notes to Financial Statements are an integral part of this statement.

ELMER BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Tax Levy	\$ 1,372,371	\$	\$ 1,372,371
Rentals	102,500		102,500
Interest Earned	414		414
Miscellaneous	(3,378)	2,042	(1,336)
Total - Local Sources	1,471,907	2,042	1,473,949
State Sources	2,252,395		2,252,395
Federal Sources	20	58,918	58,938
Total Revenues	3,724,322	60,960	3,785,282
EXPENDITURES			
Current:			
Regular Instruction		58,918	58,918
Support Services:			
Tuition	3,491,356		3,491,356
Student & Instruction Related Services	8,309	2,042	10,351
General Administrative Services	324,985		324,985
Central Services	40,073		40,073
Plant Operations and Maintenance	15,681		15,681
Pupil Transportation	227,001		227,001
Capital outlay	86,893		86,893
Total Expenditures	4,194,298	60,960	4,255,258
Excess (Deficiency) of Revenues Over Expenditures	(469,976)		(469,976)
OTHER FINANCING SOURCES (USES)			
Net Change in Fund Balances	(469,976)		(469,976)
Fund Balance - July 1 (Restated) (Deficit)	(2,501,836)		(2,501,836)
Fund Balance - June 30 (Deficit)	\$ (2,971,812)	\$	\$ (2,971,812)

The accompanying Notes to Financial Statements are an integral part of this statement.

ELMER BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (469,976)

Amounts reported for Governmental Activities in the Statement of Activities (A-2) are different because:

Pension Contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$	(12,139)	
Capital Outlay		86,893	
		74,754	

Change in Net Position of Governmental Activities (A-2) **\$ (395,222)**

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

ELMER BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Scholarship Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 557	\$ 5,336
Total Assets	<u> 557</u>	<u> 5,336</u>
LIABILITIES		
Payable to Student Groups		5,336
Total Liabilities		<u> \$ 5,336</u>
Net Position		
Reserved for Scholarships	<u> \$ 557</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

A. Reporting Entity:

The Elmer Borough School District is a Type II District located in the County of Salem, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. These terms are staggered so that two or three members' terms expire each year. The purpose of the District is to educate students in grades K-8. The Elmer Borough School District became a non-operating District in the 2010-11 school year.

Business Administrator/Board Secretary services are contracted with the Salem County Special Services District including responsibility for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. New Accounting Standards:

The district adopted the following GASB statements:

- GASB No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*: The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2016. The adoption of GASB 74, did not impact the financial statements of the School District.
- GASB No. 81 - *Irrevocable Split-Interest Agreements*: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 81 on the School District's financial statements. The adoption of GASB 81, did not impact the financial statements of the School District.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. New Accounting Standards (Continued):

The district adopted the following GASB statements:

- *GASB No. 82 - Pensions - an Amendment of GASB No. 67, No. 68 and No. 73:* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The adoption of GASB 82, will impact the financial statements of the School District.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- *GASB No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements.
- *GASB No. 83 - Certain Asset Retirement Obligations:* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 83 on the School District's financial statements.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. New Accounting Standards (Continued):

- GASB No. 84 - *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 84 on the School District's financial statements.
- GASB No. 85 - *Omnibus 2017*: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 85 on the School District's financial statements.
- GASB No. 86 - *Certain Debt Extinguishment Issues*: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 86 on the School District's financial statements.
- GASB No. 87 - *Leases*: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of Statement will be effective for reporting periods beginning after periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 87 on the School District's financial statements.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Presentation:

The District's basic financial statements consist of District-Wide statements, including a Statement of Net Position and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information.

District-Wide Statements: The Statement of Net Position and the Statements of Activities display information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the District and for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting.

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and accounts are grouped in the financial statements in this report as follows:

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund. As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund.

Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. The District currently has no capital projects and, therefore, has not included a capital projects fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. The District currently has no bonded debt and, therefore, has not included a debt service fund.

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. An Enterprise Fund was not maintained during the current year under audit.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life of Equipment is 12 Years.

According to the terms of the Lease with Pittsgrove Board of Education, all equipment became the property of Pittsgrove and the records have been adjusted accordingly.

FIDUCIARY FUNDS

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include Unemployment Compensation Insurance and one scholarship fund

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District does not maintain a nonexpendable trust fund. None was required in 2016-17.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

C. Basis of Accounting and Measurement Focus:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of Unearned Revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school District the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus (Cont'd):

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989. The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds, which are submitted to the county office. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012 and to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2 (f) 1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Budgets/Budgetary Control (Cont'd):

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis, which differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

A reconciliation of the special revenue funds from the budgetary basis of accounting (as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds) to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types are shown on Exhibit C-3.

E. Encumbrance Accounting:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as Unearned Revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Tuition Receivable:

There were no tuition charges made by the Board of Education based on estimated costs, as the district is Non-operating.

G. Tuition Payable:

Tuition charges for the fiscal years 2014-15, 2015-16 and 2016-17 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-Term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

I. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase. On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017. The district did not maintain an Enterprise Fund during the 2016-17 school-year.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Assets, Liabilities and Equity:

Transactions - Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

Inventories - On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expensed when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017. There was no inventory in the Food Service Fund at June 30, 2017. The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The general fixed assets acquired or constructed prior to June 30, 2017 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Assets in the general fixed assets account group are not depreciated.

Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	50
Building Improvements	20
Equipment	5-10

K. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the district-wide Statement of Net Position. In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

L. Unearned Revenue:

Unearned Revenue in the special revenue fund represents cash that has been received but not yet earned.

M. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

N. Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are not reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

O. Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

P. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Q. Comparative Data/Reclassifications:

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

R. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

S. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide Financial Statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

T. Net Position:

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.

U. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

V. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

W. Bond and Lease Acquisition Costs:

As part of any long-term bond or lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2017.

Cash and cash equivalents include petty cash, change funds, cash in banks and highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest.

Investments are stated at cost, or amortized cost, which approximates market. The Board classifies U.S. Treasury with Agency obligations and certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions in which they may invest. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts as follows:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school district.

School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. As of June 30, 2017, the District had no funds on deposit with the New Jersey Cash Management.

Deposits:

N.J.S.A. 17:9-41, et seq. establish requirements for the security of deposits of governmental units. The statutes require that school districts deposit public funds in public depositories secured in accordance with the Governmental Unit Deposit Protection Act, which is a multiple financial institution collateral pool enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office on the state of New Jersey, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value at least equal to 5% of the average daily balance of collected public funds on deposit, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to Governmental Units.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The School District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the Governmental Unit Deposit Protection Act and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions. As of June 30, 2017, cash and cash equivalents in the fund financial statements of the District consisted of the following:

	Cash and Cash Equivalents
Checking accounts	\$ 838,733
Money Market	1,241
	\$ 839,974

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2017, the School District's bank balance of \$937,694 was exposed to custodial credit risk as follows:

Insured by Depository Insurance	\$ 250,000
Collateralized under GUDPA	<u>677,694</u>
Total	\$ <u>927,694</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The District does not have a policy that restricts investment choices beyond Title 18A:20-37.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account may be established by New Jersey school districts for the accumulation of funds for capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Post -April 2005 transfers must be in compliance with P.L.2005, C73 (S1701). Pursuant to N.J.A.C 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support cost of uncompleted capital projects of \$349,300, as shown in its approved LRFP. The District does not have a capital reserve account.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. OPERATING LEASES - None

NOTE 6. INVENTORY - There is no Food Service Fund or related inventory as of June 30, 2017.

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

There were no Interfund balances as of June 30, 2017.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets that are not being Depreciated:				
Land	\$ 20,623			\$ 20,623
Total Capital Assets not being Depreciated	20,623			20,623
Building and Building Improvements	1,041,817	\$ 86,893		1,128,710
Site Improvements	81,338			81,338
Totals at Historical Cost	1,123,155	86,893		1,210,048
Less Accumulated Depreciation for :				
Building and Improvements	(950,086)	(7,909)		(957,995)
Site Improvements	(56,934)	(4,230)		(61,164)
Total Accumulated Depreciation	(1,007,020)	(12,139)		(1,019,159)
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	116,135	74,754		190,889
Government Activities Capital Assets, Net	\$ 136,758	\$ 74,754		\$ 211,512
				To A-1
			Depreciation expense was charged to governmental functions as Unallocated	\$ 12,139

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. GENERAL LONG TERM DEBT

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in July, 2017</u>	<u>Forgiven on 7/31/17</u>	<u>by Sale Proceeds</u>
Other Liabilities:							
State of N. J. Loan Payable	\$ 2,347,585	\$ 825,761	\$ 297,185	\$ 2,876,161		\$ 2,256,161	\$ 620,000
Short-term Loan Payable	802,684	977,617	802,684	977,617	\$977,617		
Total Other Liabilities	<u>\$ 3,150,269</u>	<u>\$ 1,803,378</u>	<u>\$ 1,099,869</u>	<u>\$ 3,853,778</u>	<u>\$977,617</u>	<u>\$ 2,256,161</u>	<u>\$ 620,000</u>

The planned repayment schedule to the N. J. Department of Education will be cancelled as of July 31, 2017.

SHORT-TERM TAX ANTICIPATION LOANS

There were three short-term loans totaling \$977,617; to provide operating cash, resulting from the timing difference in the 19th and 20th state aid payments and other receivables, as follows:

One loan matures on August 15, 2017 in the amount of \$825,761, with interest at 1.99%, one loan in the amount \$75,931 matures on July 7, 2017, with interest at 4.25% and one loan in the amount \$75,925 maturing on July 7, 2017, with interest as 4.25%.

Regarding the award of the School District Fiscal Accountability Act Loans of \$1,000,000 in 2011-12, \$212,239 in 2012-13, \$514,450 in 2013-14, \$577,037 in 2014-15, \$668,125 in 2015-16 and \$825,761 in 2016-17, please See Note 18.

A. Bonds Payable – None have been authorized in accordance with State law by the voters of the District through referendums.

B. Capital and Operating Leases – There were no capital or operating leases in force during the audit year.

NOTE 10. PENSION PLANS – (If Employees are hired)

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at a fair value.

For the year ended June 30, 2017, the District was not provided with pension expense or revenue for support provided by the State. Therefore, at June 30, 2016, the District did not report any deferred outflows of resources or deferred inflows of resources related to pensions.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended June 30, 2017, the District was not provided with any pension expense. In addition, at June 30, 2017, the District did not report any deferred outflows of resources or deferred inflows of resources related to PERS.

Significant Legislation - P.L. 2011, c. 78, effective October 2011, set new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this legislation's effective date with a minimum contribution required to be at least 1.5 percent of salary.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. PENSION PLANS (CONT'D)

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost - of - living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/17	\$ 0	0 %	\$ 0
6/30/16	0	0	0
6/30/15	0	0	0

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$0 to the TPAF for normal and \$0 for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$0 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as there were no employees.

Vesting and Benefit Provisions - P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 107,314 retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 c 62. Funding of post retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

NOTE 11. POST-RETIREMENT BENEFITS

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. COMPENSATED ABSENCES

The School District accounts for compensated absences as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the school district and its employees, is accrued as employees earn the rights to the benefits.

District employees were granted varying amounts of vacation and sick leave in accordance with the School District's personnel policies. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulated unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreement with the various employee unions.

In the district wide-Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components-the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the General Fund or in the Enterprise Fund, as the District is Non-operating.

NOTE 13. DEFERRED COMPENSATION

The Board no longer has employees covered under the prior deferred compensation plans created in accordance with Internal Revenue Code Section 403(b).

NOTE 14. FUND BALANCE APPROPRIATED

General Fund – The unassigned balance in the General Fund at June 30, 2017 is a deficit in the amount of (\$2,971,812).

Debt Service Fund – There is no Debt Service fund at June 30, 2017.

NOTE 15. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2005, c.73 (S1701), the designation for Reserved Fund Balance -- Excess Surplus is a required calculation pursuant to the New Jersey School Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. There is no excess surplus at June 30, 2017.

NOTE 16. LITIGATION

The District is, from time to time, involved in claims and lawsuits incidental to its operations. Per confirmation by the District's legal counsel, there are no pending litigations, claims, assessments or contingent liability against the District.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17. DEFICIT FUND BALANCES

The District's deficit of (\$2,971,812) in fund balance in the General Fund as of June 30, 2017, as reported in the fund statements (modified accrual basis). N.J.S.A. 18A: 22-44.2 provides that in the event a state school aid payment is not made until the following school year, districts must record the last state aid payment as revenue, for budgeted purposes only, in the current budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry i.e. if one government recognizes as asset, the other government recognizes a liability.

Since the state is recording the last state aid payment in the subsequent fiscal year, the School District cannot recognize the last state aid payment on the GAAP financial statements until the year the state records the payable. Due to the timing difference of recording the last state aid payment, a deficit does not alone indicate that the district is facing financial difficulties. The General Fund deficit of \$2,971,812 is more than the 19th and 20th state aid payments totaling \$151,856 and the District is heavily relying on the "School District Fiscal Accountability Act", which provided loan assistance with a balance of \$2,876,161 at June 30, 2017. Therefore, the District is facing severe difficulties, with its operations under the supervision of the County Office.

There is a deficit in Governmental Activity Unrestricted Net Position of \$2,971,812, reflected on the Statement of Net Position (Exhibit A-1), reflecting the treatment of the "School District Fiscal Accountability Act" loan proceeds described in Note 18 below, whereby the proceeds are considered as revenue for budget purposes but as a loan payable for GASB-34 reporting purposes. This loan will be paid back through an annual reduction in state aid receipts until the loan is fully paid off.

NOTE 18. SUBSEQUENT EVENTS - CONSOLIDATION WITH THE PITTSGROVE SCHOOL DISTRICT

Pursuant to NJSA 18A:7-8 and 18A:8-43, the New Jersey Legislature has approved a plan to eliminate the Non-operating Elmer Board of Education, as well as to provide for the education of children from Elmer Borough in the Pittsgrove Township School District. This plan calls for the consolidation of the aforementioned school districts, which currently have a sending-receiving relationship.

The plan submitted by the Executive County Superintendent is effective as of July 31, 2017 and recommends that the 2017-2018 tax levy be allocated based on the approved budgets for 2017-2018. Thereafter, the levy will be apportioned based on the proportion of enrolled students from each municipality, in order to result in the least fiscally disruptive tax levy allocation.

From August 1, 2017 to December 31, 2018, the new combined school district will consist of nine elected board members, with staggered three year terms from Pittsgrove and one Executive County Superintendent approved member from Elmer. Beginning with the 2018 election, all nine seats will be with staggered terms and elected at large (available) for Elmer and Pittsgrove residents.

The plan also calls for the existing debt of Pittsgrove, as of June 30, 2017, to be the responsibility of Pittsgrove Board of Education, with any new debt becoming the responsibility of the combined district, as per the recommended allocation method.

With regard to the balance of the loan to Elmer from the NJ Department of Education, in the amount of \$2,876,161, \$620,000 will be repaid to the NJ Department of Education through ten (10) \$62,000 annual payments from the Pittsgrove Board of Education, representing the purchase of the Elmer School building at the appraised value of \$620,000. The remaining \$2,256,161 of the Elmer Loan balance has been forgiven by the NJ Department of Education.

**ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 18. SUBSEQUENT EVENTS – (CONT'D)

CONSOLIDATION WITH THE PITTSBORO SCHOOL DISTRICT

Beginning with the 2018-2019 budget, the recommended tax levy apportionment methodology will be based on enrollments of Elmer and Pittsgrove.

A final audit will be conducted as of July 31, 2017 in accordance with NJSA 18A:18-49.

NOTE 19. GOING CONCERN

As the Elmer school district was unable to operate without considerable advanced state aid, it has been merged with the Pittsgrove Board of Education, as of July 31, 2017, whereby the Elmer students will be educated by Pittsgrove Schools. The Elmer school building will be given up in exchange for the balance due to the State of New Jersey.

NOTE 20. TAX ABATEMENT

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because NJSA 54:4-75 and NJSA 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at NJSA 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

NOTE 21. SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT

The District ended the June 30, 2011 fiscal year with a \$272,243 general fund deficit. It also became clear to the District Officials that the amounts budgeted in the General Fund for 2011-2012 would not be sufficient to provide a thorough and efficient education. The New Jersey State Legislature passed the "School District Fiscal Accountability Act" pursuant to N.J.S.A. 18A:7A-56, which provided \$212,239 in advanced State Aid in 2012-13, \$514,450 in 2013-14, \$577,037 in 2014-15, \$668,125 in 2015-16 \$825,761 and in 2016-17, to cover a portion of the deficit. The Legislation specifically required the advance state aid payment to be recorded as revenue for budget purposes in the school year in which the advance state aid payment is provided. The payment is recorded in long-term debt for GAAP purposes on Exhibit A-1. The Advanced State Aid shall be repaid by the School District through automatic reductions in state aid provided to the School District in subsequent years. While by statute, the term of the repayment shall not exceed ten years, the remaining balance of \$2,256,161 shall be forgiven as of July 31, 2017 and the remaining balance of \$620,000 will be paid to the State Department of Education over a ten year period by the Pittsgrove Township School District.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

ELMER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,372,371	\$	\$ 1,372,371	\$ 1,372,371	\$
Interest on Investments				414	414
Rentals	102,500		102,500	102,500	
Miscellaneous	10,000		10,000	(3,378)	(13,378)
Total - Local Sources	1,484,871		1,484,871	1,471,907	(12,964)
State Sources:					
Equalization Aid	1,353,423		1,353,423	1,353,423	
Special Education Categorical Aid	130,029		130,029	130,029	
Security Aid	26,788		26,788	26,788	
Transportation Aid	82,686		82,686	82,686	
Under Adequacy Aid	5,492		5,492	5,492	
PARCC Readiness Aid	2,230		2,230	2,230	
Per Pupil Growth Aid	2,230		2,230	2,230	
Professional Learning Community Aid	2,060		2,060	2,060	
Other State Aids:					
Supplemental Enrollment Growth Aid	282,321		282,321	282,321	
New Jersey Advanced Aid	736,734	89,027	825,761	825,761	
Non-public Transportation Aid				1,218	1,218
Extraordinary Aid				61,802	61,802
Total - State Sources	2,623,993	89,027	2,713,020	2,776,040	63,020
Federal Sources:				20	20
TOTAL REVENUES	\$ 4,108,864	\$ 89,027	\$ 4,197,891	\$ 4,247,967	\$ 50,076
EXPENDITURES:					
Current Expense:					
Instruction - Regular Programs:					
Home Instruction:					
Purchased Professional - Educational Services	6,000	(4,646)	1,354		1,354
Total Regular Programs	\$ 6,000	\$ (4,646)	\$ 1,354	\$	\$ 1,354

ELMER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures:					
Instruction:					
Tuition - Other LEAs within State-Regular	\$ 2,580,730	\$ (2)	\$ 2,580,728	\$ 2,580,728	
Tuition - Other LEAs within State-Special	538,490	(19,806)	518,684	518,684	
Tuition - County Voc School Districts - Regular	41,530	(13,705)	27,825	27,825	
Tuition - County Voc School Districts - Special	1,500	(1,500)			
Tuition - CSSD & Regional Day Schools	172,765	64,845	237,610	237,606	4
Tuition - Private Schools for Disabled within State	124,842	1,671	126,513	126,513	
Total Undistributed Expenditures - Instruction	3,459,857	31,503	3,491,360	3,491,356	4
Other Support Services - Student- Related Services:					
Speech, OT, PT and Related Services					
Purchased Professional - Educational Services	8,500	(191)	8,309	8,309	
Total Undist. Expend.- Other Supp Serv Student-Related Services	8,500	(191)	8,309	8,309	
Special Education - Extraordinary Services:					
Purchased Professional - Educational Services					
Total Undist. Expend. - Other Supp. Serv. - Extra. Services					
Support Services General Administration:					
Repayment of Principal- NJDOE Loan	294,962	2,223	297,185	297,185	
Legal Services	4,000	3,590	7,590	7,590	
Audit Fees	6,000	1,100	7,100	7,088	12
Other Purchased Professional Services	3,738	5,526	9,264	9,264	
BOE Other Purchased Services	800	(525)	275	275	
Other Purchased Services	1,224	49	1,273	1,273	
BOE In-House Training/Meeting Supplies	50	(50)			
BOE Membership Dues and Fees	2,500	(190)	2,310	2,310	
Total Support Services General Administration	313,274	11,723	324,997	324,985	12
Central Services:					
Purchased Professional Services	30,277	(1,964)	28,313	28,313	
Purchased Technical Services	4,800	(80)	4,720	4,700	20
Repayment of Fiscal Accountability Loan		7,060	7,060	7,060	
Total Central Services	35,077	5,016	40,093	40,073	20
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services		6,428	6,428	5,877	551
General Supplies		2,289	2,289	2,288	1
Total Required Maintenance for School Facilities	\$	\$ 8,717	\$ 8,717	\$ 8,165	\$ 552

ELMER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Custodial Services					
Insurance	\$ 7,714	\$ (68)	\$ 7,646	\$ 7,516	\$ 130
Total Other Operation and Maintenance of Plant Services	7,714	(68)	7,646	7,516	130
Total Operation and Maintenance of Plant Services	7,714	8,649	16,363	15,681	682
Student Transportation Services:					
Other Purchased Professional and Technical Services	1,228	(36)	1,192		1,192
Contracted Services - Aid in Lieu of Payments - NonPub Sch	8,377	36	8,413	8,413	
Contracted Services (Between Home and School)					
Joint Agreements	106,203	28,050	134,253	134,252	1
Contracted Services (Special Ed. Students)-Joint Agreements	162,384	(77,950)	84,434	84,336	98
Total Student Transportation Services	278,192	(49,900)	228,292	227,001	1,291
Unallocated Benefits:					
Other Employee Benefits	250		250		250
Total Unallocated Benefits / Total Personal Services - Employee Benefits	250		250		250
Total Undistributed Expenditures	4,102,864	6,800	4,109,664	4,107,405	2,259
TOTAL EXPENDITURES - CURRENT EXPENSE	\$ 4,108,864	\$ 2,154	\$ 4,111,018	\$ 4,107,405	\$ 3,613

ELMER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original</u>	<u>Budget</u>	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
					<u>Favorable</u>
					<u>(Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
CAPITAL OUTLAY:					
Undistributed Expenditures:					
Interest Deposit to Capital Reserve	\$	\$	\$	\$	\$
Facilities Acquisition & Construction Services					
Construction Services		86,893	86,893	86,893	
Total - Facilities Acquisition & Construction Services		86,893	86,893	86,893	
TOTAL CAPITAL OUTLAY		86,893	86,893	86,893	
TOTAL EXPENDITURES	4,108,864	89,047	4,197,911	4,194,298	3,613
Excess (Deficiency) of Revenues Over (Under) Expenditures		(20)	(20)	53,669	53,689
Other Financing Sources (Uses):					
Excess (Deficiency) of Revenues and Other Expenditures and Other Financing Uses		(20)	(20)	53,669	53,689
Fund Balances, July 1 (Deficit)	2,536		2,536	2,536	
Fund Balances, June 30	\$ 2,536	\$ (20)	\$ 2,516	\$ 56,205	\$ 53,689
<u>RECAPITULATION:</u>					
Unassigned:					
Undesignated				\$ 56,205	
TOTAL				56,205	
Reconciliation to Governmental Fund Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(151,856)	
State Aid Advance Loan not Recognized on GAAP Basis				(2,876,161)	
TOTAL (Deficit)				\$ (2,971,812)	

ELMER BOROUGH SCHOOL DISTRICT
BUDGET COMPARISON SCHEDULE - SPECIAL REVENUE FUND
AS OF JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$	\$	\$	\$	\$
Federal Sources	46,142	12,776	58,918	58,918	
Other		2,042	2,042	2,042	
Total Revenues	<u>46,142</u>	<u>14,818</u>	<u>60,960</u>	<u>60,960</u>	
EXPENDITURES:					
Instruction					
Other - Purchased Services	46,142	12,776	58,918	58,918	
Total Instruction	<u>46,142</u>	<u>12,776</u>	<u>58,918</u>	<u>58,918</u>	
Support Services					
Supplies and Materials		2,042	2,042	2,042	
Total Support Services		<u>2,042</u>	<u>2,042</u>	<u>2,042</u>	
Total Expenditures	<u>46,142</u>	<u>14,818</u>	<u>60,960</u>	<u>60,960</u>	
Other Financing Sources (Uses)					
Total Outflows	<u>46,142</u>	<u>14,818</u>	<u>60,960</u>	<u>60,960</u>	
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PART II

ELMER BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$	4,247,967	[C-2] \$	60,960
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				
State Aid Advance Loan recognized for budget purposes, not recognized for GAAP purposes		(825,761)		
State Aid Advance Loan payment recognized for budget purposes, not recognized for GAAP purposes		297,185		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.		156,787		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		(151,856)		
		<hr/>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$	<u>3,724,322</u>	[B-2] \$	<u>60,960</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$	4,194,298	[C-2] \$	60,960
Differences - budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.				
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.				
Net transfers (outflows) to general fund				
		<hr/>		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$	<u>4,194,298</u>	[B-2] \$	<u>60,960</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

ELMER BOROUGH SCHOOL DISTRICT
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>IDEA</u> <u>Part B</u>	<u>IDEA</u> <u>PRE-SCH</u>	<u>NJSBA</u> <u>Security</u> <u>Grant</u>	<u>Totals</u> <u>2017</u>
REVENUES:				
Local Sources	\$	\$	\$ 2,042	\$ 2,042
Federal Sources	58,073	845		58,918
Total Revenues	<u>58,073</u>	<u>845</u>	<u>2,042</u>	<u>60,960</u>
EXPENDITURES:				
Instruction:				
Other - Purchased Services	58,073	845		58,918
Total Instruction	<u>58,073</u>	<u>845</u>		<u>58,918</u>
Support Services:				
Supplies and Materials			2,042	2,042
Total Support Services			<u>2,042</u>	<u>2,042</u>
Total Expenditures	<u>\$ 58,073</u>	<u>\$ 845</u>	<u>\$ 2,042</u>	<u>\$ 60,960</u>

CAPITAL PROJECTS FUND DETAIL STATEMENT

NOT APPLICABLE

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

PROPRIETARY FUND DETAIL STATEMENTS

NOT APPLICABLE

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services for the schools within the School District.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the School District for a specific purpose.

Agency Funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governments an/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – This agency fund is used to account for the payroll transactions of the School District.

ELMER BOROUGH SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	<u>Scholarship Fund</u>	<u>Agency Student Activity</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 557	\$ 5,336	\$ 5,893	\$ 6,884
Total Assets	<u>557</u>	<u>5,336</u>	<u>5,893</u>	<u>6,884</u>
LIABILITIES:				
Liabilities:				
Due to Student Groups		5,336	5,336	6,330
Total Liabilities		<u>5,336</u>	<u>5,336</u>	<u>6,330</u>
Net Position:				
Held in Trust for Scholarships	\$ 557	\$	\$ 557	\$ 554

ELMER BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Scholarship Fund</u>	<u>Total</u>
ADDITIONS:		
Contributions	\$	\$
Total Contributions		
Investment Earnings		
Interest	3	3
Net Investment Earnings		
Total Additions	3	3
DEDUCTIONS:		
Expenditures		
Total Deductions		
Change in Net Position	3	3
Net Position - July 1, 2016	554	554
Net Position - June 30, 2017	\$ 557	\$ 557

ELMER BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1,</u> <u>2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30,</u> <u>2017</u>
ELEMENTARY SCHOOL				
Student Activities	\$ 6,330	\$	994	\$ 5,336

LONG-TERM DEBT SCHEDULES

NOT APPLICABLE

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding and obligations under capital leases.

STATISTICAL SECTION

ELMER BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 197,227	\$ 240,762	\$ 241,347	\$ 141,146	\$ 131,744	\$ 122,216	\$ 112,688	\$ 103,161	\$ 136,758	\$ 211,512
Restricted	604,500	539,763	289,612	367	367					
Unrestricted (Deficit)	247,019	212,779	(7,057)	(272,243)	(888,208)	(1,211,318)	(1,669,985)	(2,040,130)	(2,501,836)	(2,971,812)
Total Governmental Activities Net Position	\$ 1,048,746	\$ 993,304	\$ 523,902	\$ (130,730)	\$ (756,097)	\$ (1,089,102)	\$ (1,557,297)	\$ (1,936,969)	\$ (2,365,078)	\$ (2,760,300)
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 46,719	\$ 49,458	\$ 101,455	\$ 44,230	\$ 41,616	\$	\$	\$	\$	\$
Restricted										
Unrestricted (Deficit)	100,196	79,377	(14,694)	(36,370)	(36,370)					
Total Business-Type Activities Net Position	\$ 146,915	\$ 128,835	\$ 86,761	\$ 7,860	\$ 5,246	\$	\$	\$	\$	\$
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 243,946	\$ 290,220	\$ 342,802	\$ 185,376	\$ 173,360	\$ 122,216	\$ 112,688	\$ 103,161	\$ 136,758	\$ 211,512
Restricted	604,500	539,763	289,612	367	367					
Unrestricted (Deficit)	347,215	292,156	(21,751)	(308,613)	(924,578)	(1,211,318)	(1,669,985)	(2,040,130)	(2,501,836)	(2,971,812)
Total District-Wide Net Position	\$ 1,195,661	\$ 1,122,139	\$ 610,663	\$ (122,870)	\$ (750,851)	\$ (1,089,102)	\$ (1,557,297)	\$ (1,936,969)	\$ (2,365,078)	\$ (2,760,300)

Source: CAFR Schedule A-1

ELMER BOROUGH BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 445,654	459,769	425,105	86,071	65,999	73,805	87,483	63,634	58,196	58,918
Special Education	56,358	59,315	90,594							
Other Special Instruction	4,979	240	61,501							
Other Instruction	6,052	5,458	5,120							
Support Services										
Tuition	1,405,008	1,505,992	1,788,000	2,873,662	3,170,065	3,271,431	3,348,770	3,360,778	3,455,069	3,491,356
Student and Instruction Related Services	148,163	177,093	162,023	68,186	17,007	13,166	16,918	7,924	12,016	10,351
General and Business Administrative Services	93,286	73,933	130,108	26,320	18,123	14,109	12,521	18,935	22,162	324,985
School Administrative Services	34,408	38,631	75,699							
Central Services and Information Technology				28,665	29,708	30,778	32,515	32,412	267,394	40,073
Plant Operations and Maintenance	184,563	169,657	169,847	24,585	5,062	16,546	5,917	6,432	7,347	15,681
Pupil Transportation	106,733	138,933	128,040	180,684	163,471	189,950	267,468	269,725	243,726	227,001
Employee Benefits	322,283	252,223	383,766	187,463	90,276	5,132				
Interest on Long-Term Debt										
Unallocated Depreciation and Amortization				9,402	9,402	9,528	9,528	9,527	11,403	12,139
Total Governmental Activities Expenses	2,807,487	2,881,244	3,419,803	3,485,038	3,569,113	3,624,445	3,781,120	3,769,367	4,077,313	4,180,504
Business-Type Activities										
Food Service	7,154	7,468	7,136							
Child Care	383,136	443,656	379,744	2,614	2,614					
Total Business-Type Activities Expense	390,290	451,124	386,880	2,614	2,614					
Total District Expenses	\$ 3,197,777	3,332,368	3,806,683	3,487,652	3,571,727	3,624,445	3,781,120	3,769,367	4,077,313	4,180,504
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	\$ 162,869	59,088	59,695	109,281	81,774	58,292	54,874	61,522	58,196	60,960
Total Governmental Activities Program Revenues	162,869	59,088	59,695	109,281	81,774	58,292	54,874	61,522	58,196	60,960
Business-Type Activities										
Charges for Services										
Child Care	372,188	410,476	368,068							
Operating Grants and Contributions										
Total Business-Type Activities Program Revenues	372,188	410,476	368,068							
Total District Program Revenues	\$ 535,057	469,564	427,763	109,281	81,774	58,292	54,874	61,522	58,196	60,960
Net (Expense)/Revenue										
Governmental Activities	\$ (2,644,618)	(2,822,156)	(3,360,108)	(3,375,757)	(3,487,339)	(3,566,153)	(3,726,246)	(3,707,845)	(4,019,117)	(4,119,544)
Business-Type Activities	(18,102)	(40,648)	(18,812)	(2,614)	(2,614)					
Total District-Wide Net Expense	\$ (2,662,720)	(2,862,804)	(3,378,920)	(3,378,371)	(3,489,953)	(3,566,153)	(3,726,246)	(3,707,845)	(4,019,117)	(4,119,544)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property Taxes Levied for General Purposes, Net	\$ 1,093,693	1,137,441	1,137,441	1,165,877	1,233,057	1,257,718	1,293,217	1,319,081	1,345,462	1,372,371
Taxes Levied for Debt Service										
Unrestricted Grants and Contributions	1,627,398	1,599,071	1,685,790	1,521,487	1,507,577	1,879,822	1,859,617	1,904,629	2,137,757	2,250,373
Tuition Received	23,425	21,400	18,625							
Investment Earnings	11,597	11,082	6,671	2,099	872	416	604	386	515	414
Miscellaneous Income	11,251	20,288	20,656	22,461	20,466	31,206	2,113	1,577	4,774	706
Rent				100,000	100,000	100,000	102,500	102,500	102,500	102,500
Fixed Asset and Other Adjustments	(360)		(1,739)	(90,799)		(36,014)				
Transfers	(75,999)	(22,568)	23,262							
Total Governmental Activities	2,691,005	2,766,714	2,890,706	2,721,125	2,861,972	3,233,148	3,258,051	3,328,173	3,591,008	3,726,364
Business-Type Activities										
Transfers and Adjustments	75,999	22,568	(23,262)			(5,246)				
Total Business-Type Activities	75,999	22,568	(23,262)			(5,246)				
Total District-Wide	\$ 2,767,004	2,789,282	2,867,444	2,721,125	2,861,972	3,227,902	3,258,051	3,328,173	3,591,008	3,726,364
Change in Net Position										
Governmental Activities	\$ 46,387	(55,442)	(469,402)	(654,632)	(625,367)	(333,005)	(468,195)	(379,672)	(428,109)	(393,180)
Business-Type Activities	57,897	(18,080)	(42,074)	(2,614)	(2,614)	(5,246)				
Total District-Wide	\$ 104,284	(73,522)	(511,476)	(657,246)	(627,981)	(338,251)	(468,195)	(379,672)	(428,109)	(393,180)

Source: CAFR Schedule A-2

ELMER BOROUGH BOARD OF EDUCATION
FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Unassigned (Deficit)							\$ (164,520)	\$ (130,297)	\$ (2,501,836)	\$ (2,971,812)
Reserved	\$ 604,133	\$ 539,396	\$ 2,891,245	\$ 69	\$ 11,162					
Unrestricted (Deficit)	261,007	230,859	123,674	(272,312)	100,630	(99,079)				
Total General Fund	<u>\$ 865,140</u>	<u>\$ 770,255</u>	<u>\$ 3,014,919</u>	<u>\$ (272,243)</u>	<u>\$ 111,792</u>	<u>\$ (99,079)</u>	<u>\$ (164,520)</u>	<u>\$ (130,297)</u>	<u>\$ (2,501,836)</u>	<u>\$ (2,971,812)</u>
All Other Governmental Funds										
Unrestricted, Reported in:										
Special Revenue Fund (Deficit)	\$ (468)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Capital Projects Fund	367	367	367	367	367					
Total All Other Governmental Funds	<u>\$ (101)</u>	<u>\$ 367</u>	<u>\$ 367</u>	<u>\$ 367</u>	<u>\$ 367</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: CAFR Schedule B-1

ELMER BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 1,093,693	\$ 1,137,441	\$ 1,137,411	\$ 1,165,877	\$ 1,233,057	\$ 1,257,718	\$ 1,293,217	\$ 1,319,081	\$ 1,345,462	\$ 1,372,371
Tuition Charges	23,425	21,400	18,625							
Transportation Fees										
Interest Earnings	11,597	11,082	6,671	2,099	872	416	604	386	515	414
Rent				100,000	100,000	100,000	102,500	102,500	102,500	102,500
Miscellaneous	11,251	20,288	20,656	22,461	20,466	31,206	2,113	1,577	4,774	(1,336)
State Sources	1,719,935	1,570,124	1,472,088	1,500,071	2,524,659	2,094,270	2,374,067	2,481,566	2,137,757	2,252,395
Federal Sources	70,332	88,035	273,397	130,697	64,692	56,083	54,874	61,622	58,196	58,938
Total Revenues	2,930,233	2,848,370	2,928,848	2,921,205	3,943,746	3,539,693	3,827,375	3,966,732	3,649,204	3,785,282
Expenditures										
Instruction										
Regular Instruction	439,831	454,097	418,185	86,071	65,999	73,805	87,483	63,634	58,196	58,918
Special Education Instruction	54,902	57,897	88,864							
Other Special Instruction	4,979	240	61,501							
School Sponsored/Other Instruction	6,052	5,458	5,120							
Support Services										
Tuition	1,405,008	1,505,992	1,788,000	2,873,662	3,170,065	3,271,431	3,348,770	3,360,778	3,455,069	3,491,356
Student and Instruction Related Services	145,979	174,966	159,428	68,186	17,007	13,166	16,918	7,924	12,016	10,351
General Administrative Services	90,374	52,251	73,104	26,320	18,123	14,109	12,521	18,935	22,162	324,985
School Administrative Services	32,224	36,504	99,184							
Central Services and Information Technology		18,847	27,464	28,665	29,708	130,778	153,739	205,081	267,394	40,073
Plant Operations and Maintenance	184,563	169,657	169,847	24,585	5,062	16,546	5,917	6,432	7,347	15,681
Pupil Transportation	106,733	138,933	128,040	180,684	163,471	189,950	267,468	269,725	243,726	227,001
Other Support Services										
Employee Benefits	321,434	247,663	271,115	318,194	90,276	5,132				
Lease Purchase Interest										
Capital Outlay	12,418	57,714	19,624						45,000	86,893
Total Expenditures	2,804,497	2,920,219	3,309,476	3,606,367	3,559,711	3,714,917	3,892,816	3,932,509	4,110,910	4,255,258
Excess (Deficiency) of Revenues Over (Under) Expenditures	125,736	(71,849)	(380,598)	(685,162)	384,035	(175,224)	(65,441)	34,223	(461,706)	(469,976)
Other Financing Sources (Uses)										
Transfers and Adjustments	(75,999)	(22,568)	23,262			(36,014)				
Total Other Financing Sources (Uses)	(75,999)	(22,568)	23,262			(36,014)		34,223	(461,706)	(469,976)
Net Change in Fund Balances	\$ 49,737	\$ (94,417)	\$ (357,336)	\$ (685,162)	\$ 384,035	\$ (211,238)	\$ (65,441)	\$ 34,223	\$ (461,706)	\$ (469,976)
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: CAFR Schedule B-2

ELMER BOROUGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Tuition	Interest	Business Prop Tax	Tech Services	Prior Year Insurance Refund	Special Education Self-Eval	Donation	Rentals	Teacher Mentoring	Misc.	Total
2017	\$	\$	414	\$	\$	\$	\$	\$ 102,500	\$	(3,378)	\$ 99,536
2016			515					102,500		4,774	107,789
2015			386					102,500		1,577	104,463
2014			604					102,500		2,113	105,217
2013			416					100,000		28,997	129,413
2012			872					100,000		17,907	118,779
2011			2,099					100,000		18,769	120,868
2010	18,625	6,671	10,678					1,571		3,469	41,014
2009	21,400	11,082						11,110		3,659	47,251
2008	23,425	11,597			1,160			4,360		1,101	41,643

Source: District Records

ELMER BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2017	\$ 1,170,600	\$ 79,887,400	\$ 634,300	\$ 77,300	\$ 24,009,700			\$ 105,779,300		\$ 105,779,300	1.334	\$ 107,898,294
2016	1,331,600	79,948,300	634,300	77,300	23,659,100			105,650,600		105,650,600	1.291	107,401,240
2015	1,494,800	80,442,200	634,300	89,100	22,488,700			105,149,100		105,149,100	1.272	100,168,011
2014	1,606,000	80,043,200	634,300	89,100	22,661,500			105,034,100	929,285	105,963,385	1.237	106,453,069
2013	1,296,700	80,759,300	403,600	88,000	22,661,500			105,209,100	962,920	106,172,020	1.210	100,675,156
2012	1,412,700	80,413,100	403,600	88,000	21,731,500			104,048,900	1,198,528	105,247,428	1.195	109,930,465
2011	1,369,000	80,405,700	423,600	88,000	21,956,500			104,242,800	1,236,731	105,479,531	1.169	116,137,466
2010	1,410,400	80,607,900	253,900	88,000	22,533,300			104,893,500	1,220,584	106,114,084	1.100	116,835,098
2009	1,479,000	79,888,400	470,800	79,800	22,129,200			104,047,200	1,264,984	105,312,184	1.080	109,173,989
2008	1,482,800	80,000,600	470,800	91,100	22,186,000			104,231,300	1,448,444	105,679,744	1.077	105,423,499

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

* Estimate

ELMER BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)
(UNAUDITED)

Year Ended June 30,	<u>Elmer Borough Board of Education</u>		<u>Overlapping Rates</u>			
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Elmer	Salem County	Total
2017	\$ 1.334		\$ 1.334	\$ 0.600	\$ 1.189	\$ 3.123
2016	1.291		1.291	0.590	1.108	2.989
2015	1.272		1.272	0.571	0.954	2.797
2014	1.237		1.237	0.552	0.977	2.766
2013	1.210		1.210	0.533	0.923	2.666
2012	1.195		1.195	0.511	0.990	2.696
2011	1.169		1.169	0.492	0.955	2.616
2010	1.100		1.100	0.49	0.970	2.560
2009	1.080		1.080	0.467	0.919	2.466
2008	1.077		1.077	0.427	0.926	2.430

*

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a general fund

a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

ELMER BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

<u>Taxpayer</u>	<u>2017</u>		<u>2008</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Inspira Medical Centers, INC	\$ 1,575,800	1.29%	\$	
Southwick Properties, LLC	1,275,000	1.05%		
Hofmann Properties, LLC	930,000	0.76%		
Taxpayer #1	923,400	0.76%	2,007,300	1.90%
First National Bank of Elmer	863,400	0.71%		
Pennsville National Bank	846,400	0.70%		
Schalick Mills, INC	808,400	0.66%		
Fulton Bank of NJ	764,400	0.63%		
Hofmann Properties, LLC	744,100	0.61%		
First National Bank of Elmer	717,300	0.59%		
Taxpayer #2			1,965,874	1.86%
Taxpayer #3			1,823,900	1.73%
Taxpayer #4			1,669,600	1.58%
Taxpayer #5			1,575,800	1.49%
Taxpayer #6			1,124,400	1.06%
Taxpayer #7			935,500	0.89%
Taxpayer #8			846,400	0.80%
Taxpayer #9			804,400	0.76%
Taxpayer #10			781,100	0.74%
Total	\$ 9,448,200	7.76%	\$ 13,534,274	12.81%

Source: District CAFR & Municipal Tax Assessor

ELMER BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	% of Levy	
2017	\$ 1,372,371	\$ 1,372,371	100%	\$
2016	1,345,462	1,345,462	100%	
2015	1,319,081	1,319,081	100%	
2014	1,293,217	1,293,217	100%	
2013	1,257,718	1,257,718	100%	
2012	1,233,057	1,233,057	100%	
2011	1,165,877	1,165,877	100%	
2010	1,137,411	1,137,411	100%	
2009	1,137,441	1,137,441	100%	
2008	1,093,693	1,093,693	100%	

Source: District records including the Certificate and Report of School Taxes (A4F form)

ELMER BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Percentage of	
	General Obligation Bonds ^b	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Personal Income ^a	Per Capita ^b
2017	\$	\$	\$	\$	\$		\$
2016							
2015							
2014							
2013							
2012							
2011							
2010							
2009							
2008							

N/A

Source: District CAFR Schedules I-1, I-2

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

- a See Exhibit NJ J-13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b Includes Early Retirement Incentive Plan (ERIP) refunding

ELMER BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2017	\$	\$	\$	\$	
2016					
2015					
2014					
2013					
2012					
2011					
2010					
2009			N/A		
2008					

* Estimate

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-13.

If a District has resources that are restricted to repaying the principal of debt outstanding, these amounts should be shown in a separate column "Deductions" and be subtracted from the total, and the schedule should be named ratios of net general bonded debt outstanding.

ELMER BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017
(UNAUDITED)

Debt Repaid with Property Taxes			
Elmer Borough	\$	120,358	100.00% \$ 120,358
Other Debt			
Salem County - Borough's Share		39,534,364	2.19% 867,599
			<hr/>
Subtotal, Overlapping Debt			987,957
Elmer Borough School District Direct Debt			-
			<hr/>
Total Direct and Overlapping Debt			\$ 987,957
			<hr/> <hr/>

Sources: Elmer Borough Finance Officer and Salem County Finance Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Elmer. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value.

**ELMER BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis	
	2016	\$ 107,565,262
	2015	106,891,430
	2014	99,417,037
	[A]	\$ 313,873,729
Average Equalized Valuation of Taxable Property	[A/3]	\$ 104,624,576
Debt Limit (2.5% of Average Equalization Value)	[B]	2,615,614 ^a
Net Bonded School Debt	[C]	-
Legal Debt Margin	[B-C]	\$ 2,615,614

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 2,310,614	\$ 2,492,792	\$ 2,705,628	\$ 2,771,111	\$ 2,783,870	\$ 1,834,291	\$ 2,610,320	\$ 2,531,452	\$ 2,600,031	\$ 2,615,614
Total Net Debt Applicable to Limit										
Legal Debt Margin	\$ 1,884,180	\$ 2,492,792	\$ 2,705,628	\$ 2,771,111	\$ 2,783,870	\$ 1,834,291	\$ 2,610,320	\$ 2,531,452	\$ 2,600,031	\$ 2,615,614
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

^a Limit set by NJSA 18A:24-19 for a K through 8 District; other % limits would be applicable for other Districts

ELMER BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income (thousands of dollars)</u> ^b	<u>Per Capita Personal Income</u> ^c	<u>Unemployment Rate</u> ^d	
2017	*	1,316	\$ 57,240,695	\$ 43,496	4.66%
2016		1,327	57,431,991	43,280	5.20%
2015		1,338	57,619,967	43,064	5.80%
2014		1,347	57,718,950	42,850	6.80%
2013		1,360	56,116,320	41,262	9.00%
2012		1,378	56,245,826	40,817	9.70%
2011		1,386	56,573,748	40,818	13.20%
2010		1,389	54,809,940	39,460	10.70%
2009		1,342	52,089,730	38,815	7.40%
2008		1,348	52,426,416	38,892	4.30%

*Estimate

Source:

^a For Salem County, Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income

^c Per Capita

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

ELMER BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Employer*	2017		2008	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
PSEG Nuclear	1,500	N/A		
Mannington Mills	800	N/A		
Memorial Hospital of Salem County	720	N/A	Not Available	
EI DuPont	685	N/A		
McLane NJ	401	N/A		
RE Pierson Construction	400	N/A		
Inspira Health Network	400	N/A		
Anchor Glass	376	N/A		
Larchmont Farms	275	N/A		
Walmart	250	N/A		
Salem Community College	180	N/A		
B & B Poultry Co., Inc.	175	N/A		
Alantis Rehabilitation	170	N/A		
Southgate Healthcare Center	170	N/A		
Home Care & Hospice Care of SJ	160	N/A		
Ross Fogg Fuel Oil, Inc.	160	N/A		
CFJ Properties	150	N/A		

Source: Salem County Economic Resource Guide

* Salem County

ELMER BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	6.0	7.5	6.5							
Special Education	1.0	1.0	1.0							
Other Special Education										
Vocational										
Other Instruction										
Support Services:										
Tuition										
Student & Instruction Related Services	1	2	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Administrative Services	0.5	0.5	0.5							
School Administrative Services	1.0	1.0	1.0							
Central Services	1.0	0.5	0.5							
Business Administrative Services										
Plant Operations and Maintenance										
Pupil Transportation										
Food Service										
Total	10.5	12.0	11.0							

Source: District Personnel Records

ELMER BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2017	N/A	\$ 4,255,258	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2016	N/A	4,110,910	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2015	N/A	3,932,509	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	3,892,816	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2013	N/A	3,714,917	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2012	N/A	3,559,711	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2011	N/A	3,606,367	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2010	95	3,289,852	34,630	51.19%	11.6	8 : 1	99.2	93.7	-1.49%	94.46%
2009	83	1,901,132	22,905	-6.78%	11.6	8 : 1	100.7	95.9	-5.62%	95.23%
2008	76	1,867,430	24,571	4.50%	12	9 : 1	106.7	101.7	-2.73%	95.31%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October District count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

ELMER BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>District Building</u>										
<u>Elementary</u>										
Elmer School (1959)										
Square Feet	19,281	19,281	19,281	19,281	19,281	19,281	19,281	19,281	19,281	19,281
Capacity (Students)	158	158	158	158	158	158	158	158	158	158
Enrollment	76	83	95	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Number of Schools at June 30, 2017

Elementary = 1

Middle School = 0

Other = 0

Source: District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of any additions. Enrollment is based on the annual October District count.

ELMER BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(UNAUDITED)

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

<u>School Facilities</u>	<u>Gross Square Footage</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Elmer	19,281	\$ 8,165	\$	\$	\$	\$ 11,162	\$	\$ 16,121	\$ 28,696	\$ 24,234	\$ 27,154
Total School Facilities		8,165				11,162		16,121	28,696	24,234	27,154
Other Facilities											
Grand Total		\$ 8,165	\$	\$	\$	\$ 11,162	\$	\$ 16,121	\$ 28,696	\$ 24,234	\$ 27,154

ELMER BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
NJSBAIG	Property Blanket Building & Contents	\$ 3,047,300	\$ 1,000
	General Liability		
	Bodily Injury and Property Damage	6,000,000	
	Products and Completed Operations	6,000,000	
	Personal Advertising Injury Limit	6,000,000	
	Boiler and Machinery		
	Property Damage and Business Income	100,000,000	1,000
	Business Auto	6,000,000	1,000
	School District Legal Liability	1,000,000	5,000
The Ohio Casualty Insurance Company	Surety Bonds		
	Cynthia Strang-Treasurer	150,000	
	Henry Bermann-Superintendent	10,000	
	Henry Bermann-Board Secretary	10,000	

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

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Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Elmer Borough School District
County of Salem, New Jersey 08318

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Elmer Borough School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board of Education of the Elmer Borough's basic financial statements and have issued our report thereon dated October 10, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Elmer Borough Board of Education's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elmer Borough Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elmer Borough Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elmer Borough Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Elmer Borough Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
October 10, 2017

NIGHTLINGER, COLAVITA & VOLPA

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Elmer Borough School District
County of Salem, New Jersey 08318

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Elmer Borough School District, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Elmer Borough School District's major federal and state programs for the fiscal year ended June 30, 2017. The Elmer Borough Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of statutes, regulations, and the terms and conditions of its grants applicable to each of its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Elmer Borough Board of Education's major federal and state compliance based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and as prescribed by the Office of School Finance, *Department of Education, State of New Jersey, Uniform Guidance* and New Jersey OMB 15-08. Those standards, Uniform Guidance and New Jersey OMB 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Elmer Borough Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Elmer Borough Board of Education's compliance with those requirements.

Opinion on Each Major Program

In our opinion, the Board of Education of the Elmer Borough School District, in the County of Salem, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Elmer Borough School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to major federal and state programs. In planning and performing our audit, we considered Elmer Borough Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Elmer Borough School District Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above or any instance of deficiency in internal control over compliance that we have to report to the Board of Education in a separate report entitled *Auditors' Management Report on Administrative Findings-Financial, Compliance and Performance* dated October 10, 2017. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and New Jersey OMB 15-08.

This report is intended solely for the information and use of the audit committee, management, the Elmer Borough Board of Education, the New Jersey State Department of Education, other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
October 10, 2017

ELMER BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Grant Period		Program or Award Amount	June 30, 2016			Cash Received	Budgetary Expenditures Pass Through Funds	Budgetary Expenditures Direct	Total Budgetary Expenditures (A)	June 30, 2017			
				From	To		(Accounts Receivable)	Unearned Revenue	Due to Grantor					(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Education																	
General Fund:																	
Medical Assistance Program	93.778	1705NJ5MAP	N/A	7/1/16-	6/30/17	\$ 20				\$ 20	\$ (20)		\$ (20)				
U.S. Department of Education																	
Passed-through State Department of Education:																	
Special Revenue Fund:																	
IDEA Cluster:																	
I.D.E.A. Part B	84.027	H027A160100	IDEA-1350-17	7/1/16	6/30/17	58,073				58,073	(58,073)		(58,073)				
I.D.E.A. Part B	84.027	H027A150100	IDEA-1350-16	7/1/15	6/30/16	57,403	\$ (57,403)			57,403							
I.D.E.A. Part B	84.027	H027A140100	IDEA-1350-15	7/1/14	6/30/15	60,727	(60,727)			60,727							
I.D.E.A. Part B	84.027	H027A110100	IDEA-1350-12	9/1/11	8/31/12	62,178	(5,655)			5,655							
I.D.E.A. PS	84.173	H173A160114	IDEAPS-1350-17	7/1/16	6/30/17	845				845	(845)		(845)				
I.D.E.A. PS	84.173	H173A150114	IDEAPS-1350-16	7/1/15	6/30/16	793	(793)			793							
I.D.E.A. PS	84.173	H173A140114	IDEAPS-1350-15	7/1/14	6/30/15	801	(795)			795							
I.D.E.A. PS	84.173	H173A110114	IDEAPS-1350-12	9/1/11	8/31/12	867	(6)			6							
Total Special Revenue Fund							(125,379)			184,297	(58,918)		(58,918)				
Total Federal Financial Awards							\$ (125,379)			\$ 184,317	\$ (58,938)		\$ (58,938)				

(A) There were no awards passed through to subrecipients.

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

These funds were not audited in accordance with Uniform Guidance since the total of all grant expenditures was less than \$750,000.

ELMER BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Balance at June 30, 2017		MEMO	
		From	To		(Accounts Receivable)	Unearned Revenue			(Accounts Receivable)	Unearned Revenue	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education												
General Fund												
Equalization Aid	17-495-034-5120-078	7/1/16	6/30/17	\$ 1,353,423			\$ 1,244,521	\$ (1,353,423)	\$ (108,902)	*	\$ (108,902)	\$ 1,353,423
Equalization Aid	16-495-034-5120-078	7/1/15	6/30/16	1,344,011	\$ (112,786)		112,786					
Special Education Categorical Aid	17-495-034-5120-089	7/1/16	6/30/17	130,029			119,566	(130,029)	(10,463)	*	(10,463)	130,029
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	128,551	(10,788)		10,788					
Security Aid	17-495-034-5120-084	7/1/16	6/30/17	26,788			24,633	(26,788)	(2,155)	*	(2,155)	26,788
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	26,222	(2,200)		2,200					
Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	82,686			76,033	(82,686)	(6,653)	*	(6,653)	82,686
Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	77,287	(6,486)		6,486					
Under Adequacy Aid	17-495-034-5120-096	7/1/16	6/30/17	5,492			5,050	(5,492)	(442)	*	(442)	5,492
Under Adequacy Aid	16-495-034-5120-096	7/1/15	6/30/16	5,492	(461)		461					
PARCC Readiness Aid	17-495-034-5120-098	7/1/16	6/30/17	2,230			2,051	(2,230)	(179)	*	(179)	2,230
PARCC Readiness Aid	16-495-034-5120-098	7/1/15	6/30/16	2,230	(187)		187					
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16	6/30/17	2,230			2,051	(2,230)	(179)	*	(179)	2,230
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	2,230	(187)		187					
Supplemental Enrollment Growth Aid	17-495-034-5120-094	7/1/16	6/30/17	282,321			259,604	(282,321)	(22,717)	*	(22,717)	282,321
Supplemental Enrollment Growth Aid	16-495-034-5120-094	7/1/15	6/30/16	282,321	(23,692)		23,692					
Professional Learning Community Ai	17-100-034-5120-101	7/1/16	6/30/17	2,060			1,894	(2,060)	(166)	*	(166)	2,060
Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	1,218				(1,218)	(1,218)	*		1,218
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	870	(870)		870					
Extraordinary Aid	17-100-034-5120-473	7/1/16	6/30/17	61,802				(61,802)	(61,802)	*		61,802
Extraordinary Aid	16-100-034-5120-473	7/1/15	6/30/16	39,272	(39,272)		39,272					
New Jersey Advanced Aid	N/A	7/1/16	6/30/17	825,761			825,761	(825,761)		*		825,761
Total General Fund												
					(196,929)		2,758,093	(2,776,040)	(214,876)		(151,856)	2,776,040
Total State Financial Assistance Subject to OMB 15-08					\$ (196,929)		\$ 2,758,093	\$ (2,776,040)	\$ (214,876)		\$ (151,856)	\$ 2,776,040

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Elmer Borough School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and New Jersey OMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with N.J.S.A. 18A:22-4.2

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$523,645 for the general fund and \$0 for the Special Revenue Fund. The majority of this difference represents the NJ Advanced State Aid Loan that is treated as revenue on the budget statement labeled as Exhibit C-1. Also See Exhibit C-3 (the Reconciliation from budget to GAAP Note to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

ELMER BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE

JUNE 30, 2017
(Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 20	\$ 2,252,395	\$ 2,252,415
Special Revenue Fund	<u>58,918</u>	<u>0</u>	<u>58,918</u>
Total Financial Assistance	\$ <u>58,938</u>	\$ <u>2,252,395</u>	\$ <u>2,311,333</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING - None

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, if any, represents the amount paid by the state on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

NOTE 7: SCHOOL-WIDE PROGRAM FUNDS

School-Wide programs are not separate Federal programs as defined in OMB Circular A-13; amounts used in School-Wide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditure of Federal Awards. There were no schoolwide programs in the District.

ELMER BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness (es) identified? _____ yes X no
none
- 2) Significant deficiencies identified? _____ yes X reported

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards N/A

Internal control over major programs:

- 1) Material weakness (es) identified? _____ yes _____ no
none
- 2) Significant deficiencies identified? _____ Yes _____ reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? _____ yes _____ no

CFDA Number(s) FAIN Number(s) Name of Federal Program or Cluster

N/A

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? _____ yes _____ no

ELMER BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)

Section I - Summary of Auditor's Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

1) Material weakness (es) identified? yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
17-495-034-5120-078	Equalization Aid
17-495-034-5120-089	Special Education Categorical Aid
17-495-034-5120-084	Security Aid
17-495-034-5120-096	Under Adequacy Aid
17-495-034-5120-098	PARCC Readiness Aid
17-495-034-5120-097	Per Pupil Growth Aid
17-495-034-5120-094	Supplemental Enrollment Growth Aid
17-495-034-5120-101	Professional Learning Community Aid
17-495-034-5120-014	Transportation Aid

**ELMER BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey that requires reporting in the Uniform Guidance, New Jersey OMB Circular 15-08 audit.

There were no matters to be reported.

**ELMER BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a)(b) and New Jersey OMB's Circular 15-08.

FEDERAL AWARDS N/A

- Finding:**
- Information on the federal program:**
- Criteria or specific requirement:**
- Condition:**
- Questioned Costs:**
- Context:**
- Effect:**
- Cause:**
- Recommendation:**
- Management's response:**

STATE AWARDS N/A

- Finding:**
- Information on the state program:**
- Criteria or specific requirement:**
- Condition:**
- Questioned Costs:**
- Context:**
- Effect:**
- Cause:**
- Recommendation:**
- Management's response:**

**ELMER BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a) (b) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.

STATUS OF PRIOR - YEAR FINDINGS

There were no prior year findings.